

Message Text

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ACTION COME-00

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FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 6894

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E.O. 11652: N/A

TAGS: EIND, BEXP, BMEP, NI

SUBJECT: MAJOR PROJECT: NIGERIAN IRON AND STEEL PROJECT

REF: STATE A-7220

1. EMBOFF AND VISITING MEPD PROJECT OFFICER MET WITH
A. ADEGBOYE, PROJECT MANAGER I.E. (DIRECTOR), NATIONAL STEEL
DEVELOPMENT AUTHORITY (NSDA), AND DISCUSSED CURRENT PLANS
FOR NIGERIAN STEEL INDUSTRY.

2. STATUS OF INTEGRATED (BLAST FURNACE) STEEL MILL PLANNED
IN COOPERATION WITH USSR IS STILL AMBIGUOUS. ADEGBOYE WOULD
NOT SPECIFY EXACT STATUS OF
PROJECT AND SAID ONLY THAT RUSSIANS
ARE NOW COMPLETING GEOLOGICAL STUDIES AND HAVE DETERMINED
LOCATIONS OF HIGH-GRADE ORE. (SITE FOR FACILITY HAS ALREADY
BEEN DESIGNATED IN KWARA STATE AT AJAOKUTA.)

3. WHEN ASKED, ADEGBOYE SAID THERE MAY BE ROOM FOR U.S.
SUPPLIERS OF MECHANICAL AND ELECTRICAL EQUIPMENT, AND HE
EXPECTED SOME INTERNATIONAL PROCUREMENT ONCE PROJECT REACHES
THAT STAGE. HOWEVER, HE ADDED THAT, OF COURSE, RUSSIAN TECHNICAL
PARTNERS WOULD BE EXPECTED TO ADVISE ON DESIGN REQUIREMENTS
AND ASSIST IN PROCUREMENT. THERE WILL ALSO BE NEED FOR
INFRASTRUCTURE STUDIES, AND ADDITIONAL RAILROAD FACILITIES ETC.
APART FROM THE MILL ITSELF. HE INDICATED THAT NSDA WILL SOON ENGAGE

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A CONSULTING FIRM WHICH WILL BE INDEPENDENT OF THE RUSSIANS.

4. WE THEN INQUIRED STATUS OF PLANS FOR DIRECT REDUCTION PLANTS DEVELOPMENT OF WHICH FMG HAS SAID WOULD FOLLOW INTEGRATED PLANT. ADEGBOYE SAID NSDA HAS BEEN "STUDYING" VARIOUS DIRECT REDUCTION PROCESSES, INCLUDING U.S., FRENCH, AND GERMAN. WE NOTED THAT U.S. HAS SEVERAL PROCESSES FROM WHICH TO CHOOSE (STATE A-5846) AND EXPRESSED USG INTEREST IN PARTICIPATION BY U.S. FIRMS IN STEEL DEVELOPMENT PLANS.

5. WE SPECIFICALLY CITED KAISER AND ARMCO AS INTERESTED IN DIRECT REDUCTION. CU GRANTEE ADEGWE VISITED KAISER DURING TRIP TO U.S. (STATE 248436) AND DISCUSSED MID-REX PROCESS. ADEGBOYE HAS SINCE RECEIVED INQUIRY FROM KAISER, HOWEVER KAISER REP. HAS NOT ACTUALLY VISITED NIGERIA WOULD SUGGEST VISIT AT THIS TIME BY KAISER IN ORDER. ALSO, WE HAD LEARNED PREVIOUSLY FROM FTSFOSTER WHEELER (UK) REP THAT FOSTER WHEELER AND ARMCO PLANNING TO MAKE PROPOSAL FOR FOUR 500,000 TON FACILITIES AND THAT ARMCO PLANS VISIT NIGERIA NEXT MONTH FOR THAT PURPOSE.

6. COMMENT: POSSIBILITY OF DIRECT REDUCTION STEEL FACILITIES SEEMS TO BE REAL OPPORTUNITY. PROGRESS ON RUSSIAN INTEGRATED STEEL PROPOSAL HAS BEEN SLOW, FROUGHT WITH DELAYS, AND MIGHT NEVER EVEN GET OFF THE GROUND. DIRECT REDUCTION FACILITIES COULD BE CONSTRUCTED FAR MORE QUICKLY THAN INTEGRATED MILL AND COULD BE LOCATED AT SEVERAL SITES TO SUIT NIGERIAN POLITICAL DESIRES. NSDA OBVIOUSLY KEEPING OPTIONS OPEN (THOUGH OFFICIAL FMG POLICY REMAINS TO WORK WITH RUSSIANS TOWARD INTEGRATED MILL, AND DIRECT REDUCTION MIGHT BE SELECTED FOR IMPLEMENTATION FIRST OR PARALLEL WITH THE INTEGRATED MILL. CONCRETE PROPOSAL AT THIS TIME WOULD MOST LIKELY RECEIVE SERIOUS CONSIDERATION. EVEN IF RUSSIAN PROJECT FORGES AHEAD, ADDITIONAL DIRECT REDUCTION PLANTS UTILIZING EXCESS NIGERIAN GAS WOULD BE ATTRACTIVE TO FMG.

7. EMBASSY HOPES, IN ADDITION TO SUPPORTING ACTION BY MEPD, FOREGOING (MINUS PROPRIETARY INFORMATION) IS RESPONSIVE TO REQUEST FROM AMERICAN IRON AND STEEL INSTITUTE CONTAINED REPAIR FOR UP DATE ON NIGERIAN IRON AND STEEL PROJECTS. (ATTACHMENT TO REPAIR NOT RECEIVED SO EMBASSY COULD NOT TELL PRECISE INFO LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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